# Single Source Solutions: How to Access Avaya, Adtran or Samsung Business Phone Solutions Through the IT Vendor of Your Choice

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Dan Baldwin:  Today we're speaking with Scott Davis, President of NTSDirect, a Samsung, Avaya and Adtran business phone system equipment distributor with offices in Boston and Dallas. We have invited Scott to share with us a competitive self-assessment of their services and solutions so our clients know that through the vendors we partner with, our customers are getting the best technology, services and solutions available in the marketplace today and tomorrow. Scott thanks for speaking with us today.

Scott Davis:  My pleasure Dan. Thanks for having me.

DB:   You're welcome.

**Question #1: The elevator pitch. What is the quick but complete one or two sentence description that you use to describe what your services or solutions do for your affiliates, and how these solutions benefit your affiliate's customers?**

SD:  The NTSDirect program, the affiliate program that we created for NTSDirect is a value added reseller and value added distributor program. The benefits are we enable our affiliates to represent original equipment manufacturers like Avaya, Samsung and Adtran without having to fully subscribe to some of the requirements that the OEMs require of their partners.

The value that we provide is technical support, presales and post sales engineering, and economies of scale from our discount structure with those OEMs. We really like to focus on an enablement philosophy meaning that if you have an equipment opportunity with one of those manufacturers that you are representing for one of your clients, that we bring all of the resources to bear to enable our affiliates to do business. That's what is unique about NTSDirect model and the affiliate program.

**1:47 DB**:  **So putting it at a customer's viewpoint, if they really want to get a single solution through a specific IP solution partner, and for whatever reason Avaya or Samsung seems to be the right solution, and they want to get that through their IT partner, and the IT partner might not necessarily be a Samsung or Avaya premier distributor, they can still access that equipment through you?**

SD:  Exactly right, equipment and the services that sometimes comes around it. We have a network of over 1,000 existing affiliates that do installation, maintenance and support. What I understand about the membership of your group, if they have an end-user that is looking for a competitive bid, or multiple bids from these manufacturers, we can partner with your IT representatives and help them deliver that solution to the client so they can make an educated

decision.

In order to do that generally with the OEMs like we've mentioned, it's a pretty cumbersome process. What I tell our OEMs and why our model works so well is our affiliates lack only the frequency necessary to be a regular part of an Avaya channel program. It's not a competency issue. These are smart telecom consultants and IT installers. It's just their core business is not necessarily local area, wide area, or voice technologies, but when their clients ask them for their opinion, for an educated opinion, they should be able to give it. That's really the void that we fill.

**3:30** So, if you have an interest and a competency in some area of technology and just not a specialization in data networking or voice networking, wide area networking, we can help fill that gap. It's really the demographic of our affiliates, what I've noticed is all they lack is the frequency, meaning they may only come across one, two or three of these deals a year, and it just doesn't pay to invest in the overhead to be a full-time partner of one of these manufacturers, or multiple, for that type of frequency. That's the gap that we fill.

Most of the demographics of our affiliates, some of them do structured cabling, some of them do consulting. Their core business is not just voice, data, or structured cabling technology. I think that is what is unique about our program, and it has been very well received in the last 2 years because of its unique nature and the support that we provide.

**DB: Question #2: Talking about product sets, solution categories and market segments, you touched on this a little bit, but maybe we can clarify. What do you sell to your affiliates, and what sorts of customers do they sell to? And, are there any metro, vertical or niches where you're especially competitive?**

**SD**:  We don't do vertical specializations. Our primary business is as a distributor. We provide logistical support for equipment, telecom and data networking equipment. At the very base of our business model we provide trade credit and logistic support for those types for voice and data networking equipment. That's generally what our affiliates are buying from us.

**5:24** Those are key systems, and layer two and layer three switching and technology structured cabling. We inventory that in our warehouses. We have very, very good shipping rates. That and the trade credit we provide meaning the terms that we provide to our affiliates are probably the two primary sort of base benefits of doing business with us.

We don't really vertically specialize. Our affiliates do, a lot of them do in higher education and some of those sort of things, but I focus mostly on the horizontal segment of the market. We consider that to be SMB, small and medium business, and that we define as users less than 200 in any given environment.

Now, the upper boundary for a manufacturer like Avaya in that market is 1,000 users, so it's not limited necessarily, but we find the majority of our businesses below the 200 user threshold in a specific geographic location. I would say on average those probably are less than 50 lines. So, we focus our efforts on the affiliates that target small and medium business. That's where we have seen our largest uptake from our affiliate program.

**DB:  So, affiliates that are targeting customers with 200 seats or less, 50 lines or less?**

**SD**:  Correct. Like I mentioned, the demographic from our standpoint for our ideal affiliate is a telecom consultant or an IT provider, generally they are geographically bound, so their market segment is focused on being mostly a jack of all trades or an advisor over multiple types of technologies to end users and they are generally geographically bound in a market.

**7:19**  Whether that's an MSO or a small market it really doesn't matter.  Traditionally they are one or two user affiliates, so they might have an office in Dallas and an office in Fort Worth for example, and that's it. They're focused on the businesses in that demographic that are generally locations below 200 users, and traditionally our averages are really around 50 and below because that's the traditional small and medium business market.

**DB:  Your most successful affiliates, are they classic network service consultants where it's just them working in a home office where they don't have any trucks, or are your classic affiliates, are they some sort of equipment-based solution provider where they're doing IT gear, they have trunks, trunk slammers and what have you, and how many employees do your most successful affiliates generally have?**

**SD**:  We have done a little bit of research. I would say I'm an expert on that and have done the demographic, but traditionally our initial affiliate, we've been doing this for a couple years now, our traditional affiliates would have been telecom and data interconnect, or structured cabling type of providers.

Generally it's an owner operator business. Employees are probably 8 to 10, in that range. They have a couple of technicians, a person in the office doing customer service and billing, and then a sales team which is sort of the traditional demographic. I would say that their core business is either consultancy meaning their advising their clients on interconnect or equipment purchases, or they're in the business of doing networks or structured cabling, telecom and data installs and maintenance.

**9:18**  That's traditional, and I would say our most successful to date affiliates fall in that category of folks that are that familiar with the technology, do have a physical work force that is out doing repair, return, moves, adds, changes and that sort of thing in their customer's networks. It's not required because we have the ability to do tech support and that sort of thing, and any longer the majority of this technology is really not a touch base technology. It's remote, but that's recent, maybe in the last five years that technology has evolved. Prior to that, key systems, data networks required a technician to go out and touch the customer technology.

That's part of what is exciting to us about your organization and our new membership, we see an evolution. We've had a great deal of success in the past 12 months with partners that don't have a traditional work force, that aren't touching the technology. They're simply looking to advise their clients on the best choices. They like the idea of being able to interface with an organization that can represent multiple technologies for them. When they have to look at 2 or 3 options it's a one-stop shop. They can come to us and we can provide them with multiple solutions for the same type of requirement, and we can advise them on engineering, pricing and

if need be installation. That's where we see the primary value, and why I'm so excited about this opportunity.

**11:06 DB:  Question #3: Catalyst to action and Google inquires? What are the primary pain points or initiating events that become the catalysts for your affiliate prospects first taking a look at your services and solutions, and what are the Google inquires that affiliates are typing in the search engines that lead them to your solutions sets?**

**SD**:  I would say from an affiliate standpoint, our affiliates find us or we find them, they traditionally will have an interest level in a technology so they've come across a customer who said, "Hey, we would like to make a change, or we're looking at expanding an office and we need a recommendation." It's roughly this blindside, we might have heard about Avaya, or we might have heard about Samsung, or we have an existing system and we want to add something to it.

So, traditionally I would say it's driven by an OEM code word. I'm not a great Google analytics guy, but I would say it's traditionally around that type of technology, and then they'll find us because they will quickly find out that their requirements from the OEMs in order to get information, and we as I mentioned fill that gap. So, if the OEM doesn't, or the OEMs website or the OEMs sales force doesn't direct them to us, they will quickly find that we're a unique solution in their space to be able to represent that technology.

But, I would say if I were looking for a keyword or something it more than likely would be around a particular OEM's type of technology that they're trying to find out information, pricing, or warranty support, or installation requirements, that sort of thing.

**DB:  So an affiliate may have a customer where they're actually trying to solve an Avaya, Samsung or  Adtran problem, and maybe they're looking for a specific circuit board to save something dying, or they're trying to get a second bid, and so the affiliates are typing in Adtran something, Samsung something, or Avaya something, is that what you're saying?**

**13:13 SD**:  Yes. That's absolutely correct.  I would say that that doesn't happen as frequently as I would like it to with respect to search engine optimization, but definitely our affiliates are driven to us. If we don't find them first, they're driven to us out of buyer referral or by a specific type of customer equipment or problem that they're trying to solve. The majority of those would be customer end user driven. An end user has a problem. They want us to solve it with Avaya, they want us to solve it with Samsung, or they want a recommendation and they come to us to get the data necessary.

I can't stress it enough if you try to get that information on the open market, the requirements are prohibited. There is a very high hurdle rate to do business with those OEMs, and it's by design. We help lower that hurdle.

**DB:  So through a partnership with NTSDirect, our members can learn about the problems that Avaya, Adtran or Samsung problems that are solved through you, or the problems that they're having that Avaya, Samsung or Adtran can solve, and it's through**

**familiarity with those problems that they'll find success through NTSDirect?**

**SD**:  Correct. I have a very, very competent staff of tech support, and presales support, pricing, configurations, that sort of thing. We also provide training geographically. Sometimes the technology training is cumbersome. It's difficult to get an owner operator or a technician out of the field for a long time. We try and help cash flow those types of requirements, those types of training requirements.

**15:01** The good news is there is money to be made in this business. It's just as a small business owner myself it's sometimes difficult to cash flow that investment. Out of pocket is a large expenditure on training, whether it be having your people out of the field for a week, plus the requirements to buy the training, we try and cash flow all of that meaning I try and get those requirements as close to revenue for our affiliates as possible.

We offer no cost training at our locations. We do a lot of virtual training. If you have technicians that you want to know how to program a particular type of equipment we offer two-day expedited training on our site, no charge. It's been very, very well received. Those classes are always booked whether they are in Dallas or in Boston.

We've also gone on the road at times to do it if there is enough of a density because we find that the technicians have an aptitude, and again as I mentioned before it's not competency issue that our affiliates lack, it is a frequency issue, or a specialization. They have the knowledge necessary be it networking or technology in general or perhaps traditional telephony, data networking technologies, they just don't know specifically how to correlate their knowledge to this particular vendor's solution set.

We help boil that down into a very concise training program, two days, and when the technicians or the owners leave here; they can go out and immediately do an installation and receive payment from their client. And, even if that's advising on an installation, it's still that competency we do it in a very short period of time.

**16:49**  I think those kinds of things, that's where we really try to evolve our model to meet the requirements of our affiliates, because traditionally OEMs, their training is five days. In some cases its multiple weeks, and it's just difficult to shut down for that long and just pay attention in class. I think that's a big benefit for our affiliates.

**DB:  Question #4:  Competitive, comparison and objection responses? Who are the other competitors that your affiliates are looking at, and how is your service or solution better or different from them? And, what are all the objections that your competitors raise about your company, and what are your standard objection responses?**

**SD**:  We're pretty unique in our space. There are plenty of distributors out there that sell this technology. When I looked at this business model and we did the investment two years ago, I did get a gap analysis on what was missing in the market specifically for our affiliates. It really boiled down to there were plenty of distributors out there, value added or otherwise. There are plenty of distributors where you can buy this technology.

Traditionally, the ability to do that is driven by meeting the hurdle rates from the original equipment manufactures, and also the responsibility for the knowledge be it configuration or tech support generally falls back on the business owner. So, when you marry that requirement with the frequency gap I mentioned to you before, the business model doesn't make sense for the small to medium business-focused affiliate.

One day they're out doing structured cabling, the next day they're doing a wide area networking design, maybe the next day they're out installing a security system, and to be specialized, to meet the requirements to be enabled to buy from those many distributors, the Ingram Micros the Tech Datas, they're out there, but you still have to satisfy the requirements in the original equipment manufacturer.

**18:58** When I saw that gap, that's really where we focused on. I'm not aware of another value added distributor focused on affiliates like ours that provides this type of solution. Generally our affiliates come to us after they've made the decision that either I can't meet those requirements, or it just doesn't make business sense to do it, and then once they understand the benefits of our affiliate programs, I don't get a lot of competitive pressure.

The OEMs are traditionally pretty restrictive when it comes to enabling these types of relationships. For example, on the Samsung side they do have a couple of other distributors. We are by far the largest in North America. Then with Avaya, I'm not aware of a competitor that is enabled to meet the market requirements. From Avaya we get a bunch of referrals from folks that have applied to be partners and just couldn't meet the requirements.

I think we're in a pretty unique position. It's an exciting business for us. It's grown considerably as we add affiliates and we add other product lines, but the value proposition has always remained the same. We provide a unique value to the affiliates that are interested in this technology, interested in being able to provide  the best possible technology at the best possible price, with support to their end users so they can make some money as a technology advisor or a value added reseller.

I find that we're fairly unique in that regard and I don't get a lot of competitive pressure, thank goodness.

**20:43  DB:  Question #5: Case studies and showcase solutions. Can you share with us a couple of recent case studies where an affiliate used your product, services or solutions over one of your competitors to solve a customer problem?**

**SD**:  Sure. I think from our standpoint we are fortunate to have a lot of really good affiliates. One of the things I like about this business is there is a great degree of loyalty. For example, when I come in first thing in the morning I go through our ticket system which is our tech support, and customer support ticket system.  I'll go through and call the individual business owners that have tickets with us that are the high priority or aging issues. These are technical issues that they're trying to provide a solution to their clients.

Now, I'm not the most technical person in the world, but I want them to know from me that we're here to help them, and I want to make sure that we have the same sense of urgency that they

do. I had a call this morning with one of our valued affiliates, and he was trying to represent to his client that there was a technical issue we could resolve, and we were able to connect directly to that end user, the affiliate, my tech support people on a call, and get the issue resolved.

It was a DHCP issue, a typical wide area networking problem, but the client's end user and our affiliate were unable to solve it themselves, so we were able to close that gap and be able to solve the problem for the end user. The affiliate will I assume get additional opportunities with that end user. Those are some of the typical examples.

**22:28** The technology that we represent, companies like Avaya, Samsung, Adtran, these are companies that have good warranty value for their product. In the case of Samsung they have a 5 year, no questions asked warranty on all their hardware. That helps us, and that helps our affiliates. If there is any issue out there or problem with the hardware, you can't go through a lot of steps to replace that technology.

So, we like to deal with OEMs and have... in Adtran's case it's a lifetime, no questions asked, next business day warranty. Those are the type of technologies that we try and represent so our affiliates can stand by the promises they make to their end users.

I would say those are some of the examples. There are plenty of technology case studies on our affiliate portal with respect to the economics of a particular solution and how they were solved, and I encourage your clients to become part of that affiliate program, have access to that portal and be able to pull down some of those case studies about feature benefit costs and those sort of things for their clients.

**DB:  Question #6: Greenfield or migrations? Are your affiliate customers migrating to you from a competitor's similar solution, or are they most likely to be greenfield opportunities where they're getting in to representing Avaya, Adtran, or Samsung where they didn't do that before?**

**24:05 SD**:  I would say there is probably a little bit of both. Because of the nature of the technology that we're talking about this morning, Adtran, Avaya, Samsung, these are well respected industry leaders. They have a large installed base of technology that clients are continuing to invest in. I think Avaya claims to have roughly half the market in North America. Adding and becoming a part of our affiliate program and representing these technologies through the affiliate program give you the opportunity to talk to a large installed base of end users. That's one of the primary benefits.

Our affiliates constantly are talking to me about that, "Hey, I might have been specialized in Adtran, and I have a lot of customers that are on Avaya and I just didn't know how to help them. You know, I don't know how to help that person technically. I can't get access to the parts. I can't get access to the technical documentation, customer service."  Instantly this provides you with that market opportunity, which before was probably a little daunting. With the signature part of our affiliate program, those problems go away the next day.

Now, obviously there are some learning curves and things that we work with our affiliates on. I mentioned about the training, but really it's as simple as that. Become a part of this program, and you have access not only to that large installed base of end users, but all the expertise necessary to make a business out of supporting them.

We do see a fair share of greenfield opportunities, whether it's just a brand new location or if it's someone moving and evolving their network from a certain type of protocol in their local area. It can even be someone moving from a digital voiced-based system to a voice over IP or a cloud-based system. So, we do see a lot of that evolution, and we try and make sure that we give our affiliates enough options that they can satisfy an end user's requirement.

**26:08** I'm careful about the line card making sure it's not too expansive because you can get to having too many options to choose from. We try and pick the ones as I mentioned that have a large share of the market and are well respected technology companies that have been around for a long time. That's really something I think is critical in the SMB market for our affiliates.

As exciting as some of these new players and new technology might be, I can't afford to represent someone who when my customer has an issue, they're not around any longer. We're pretty diligent in our line card when we pick the companies that we represent for those reasons.

**DB:   So really the affiliates, and potential affiliates that are listening to this, they would probably be well served to go through their existing base of customers and identify through their own CRM, which ones are Adtran, Samsung, or Avaya because sooner or later these customers are going to expand, move or what have you, and if they are not happy with their current support, or they no longer have support from whomever they bought their equipment from, you can step in there and help them?**

**SD**:  Absolutely. Yes, specifically whether it's an evolution strategy, simply a growth, an upgrade or all of those opportunities. I would be doing that with my own CRM if I were them because it instantly gives you access to the ability to be able to consult and add value to that relationship. That would be exciting to me. I know a lot of our affiliates take advantage of that.

**27:55** They might have come in and had some expertise in Adtran but didn't have it in Avaya, or had it in Avaya but didn't have it in Samsung, and over time they evolve to being able to broaden their target market by being able to have the resources from NTSDirect and those OEMs. I would think that would be a very exciting opportunity.

**DB:   Question #7: How to buy? What are your different "go to market" channels? Direct channel partners, wholesale? My understanding is you only sell gear to the affiliates, and the affiliates in turn sell that gear on their own paper to the end user.**

**SD**:  That's correct. We are fiercely loyal to our business model that is wholesale. Our affiliates are the owners of their end user relationships. You can't buy anything from me off the Internet. We don't price things that don't go through our affiliates. The relationship is 100% owned by our affiliates, that relationship with the end user.

We are a wholesaler for all intent and purposes. A value added distributor. Our relationship is to make sure that everything we do enables our affiliates to make money in their business model. That is our go to market strategy, and I don't see that changing.

**DB:   So if your affiliates are putting out prices to their customers in a proposal, and the customer understands they're getting it through NTSDirect, the customer won't find NTSDirect pricing on the internet?**

**29:36  SD**:  Correct. We are very, very careful not to do that. We don't do any web purchasing. I don't have a shopping cart. There might be one on the Internet at the website but we don't use it. All the information is password protected. You have to be affiliated to be able to access it. Every part of our company is focused on serving the affiliates and our affiliate network. Without them we're not in business. I do everything I can to make sure I protect the sanctity of that relationship, and fortunately we've never had any issues with that.

**DB:   Question #8: About your company. Can you give us the history or background of the company? Who led the company to be where it is today? Who's running the company? Where will the company be in 5 years? Are there any exit strategies?**

**SD**:  Sure. I purchased the assets of this business a couple of years ago. We reinvested in this business back in the beginning of 2011, again with the backing of a couple of our key OEM partners. I personally spent 10 years at Nortel Networks. I ran their channel business for 4 of those years. I've always had an interest in this space, in the indirect distribution model.

So personally I've been looking for a couple of years to find a way to put this business model together. That's I guess a little bit about our history. I'm fortunate enough to have the backing of a couple hundred employees here between Boston and Dallas warehouse and distribution points.

**31:36**  I don't know that I have the luxury of looking out beyond a couple of years, but if I were to think about it in terms of 5 years I want to continue to scale this business because economies of scale for us end up in gross margin for our affiliates. So, anything I can do to make sure that this business operates well, is lean, and has access to valued OEMs is key. Shipping is a huge cost, so we build Will Call counters in our warehouses so some of our affiliates come and pick the equipment up when they need it.

Everything I'm focused on for the next 3 to 5 years is growing this business, having the ability to add scale, because again our affiliates will take advantage of that scale. As far as exit strategies, we don't have one. If anything, we're on our entrance strategy with respect to I think there is really no limit to the amount of opportunity. I talk to our affiliates daily about new products, new market opportunities. I had a call yesterday with someone about LED lighting. It's a gentleman that does low voltage, and some structured cabling, and has gotten into green technologies and has his clients asking him about LED lighting.

In this particular market in Tyler, Texas, he has the opportunity to bring that technology to bear for his clients, and if I can find a way to represent the OEMs and provide him economies of scale, we will absolutely do that. Those are where some of our best ideas come from with

respect to representing OEMs and product lines.

**33:23** I wish I had an exit strategy, but I'm not looking for one right now. We're going to continue to invest and grow in this business and make sure that we have access to resources and economies of scale for our affiliates.

**DB:   Question #9: Our last question, is there any important stuff that we haven't talked about? What else do we need to know about NTSDirect right now?**

**SD**:  I think we've covered a lot. I think this is a unique opportunity for some of your members. We are proud of the opportunity to be a part of this program. I really do think we can provide some value; be it just access to some pricing, configuration, engineering, support.

When your members decide to take advantage of some of those resources and participate in our products and services, I really think they are going to find the program is designed specifically to cater to those affiliates that only lack frequency. For the 4 or 5 deals that you do in a year, they are important. You need to look like you do this all the time, and this program is specifically designed to fill that gap. If you take nothing away from this interview, I think that's the primary point. I built this program to be able to cater to the needs of your members and companies like them.

**DB**:   This is Dan Baldwin. Today we have been speaking with Scott Davis, President of NTSDirect, a Samsung, Avaya, and Adtran equipment distributor with offices in Boston and Dallas. Scott, thanks for talking to us today.

**SD**:  Dan, I appreciate your time. Thank you sir.